

# Results Briefing for the First Half (Feb.–Jul.) of the Fiscal Year Ending January 31, 2022

**August 31, 2021**

**Ryoyo Electro Corporation**

**First Section, Tokyo Stock Exchange (Ticker Code: 8068)**

**<https://www.ryoyo.co.jp/en/>**

**Outlook for the External Environment at the Beginning of the Fiscal Year and Intentions for the Annual Plan**

**Overview of the First Half of the Fiscal Year Ending January 31, 2022**

**Business Plan for the Fiscal Year Ending January 31, 2022**

**Medium-Term Initiatives**

**Dividend and TSE Market Realignment**

## Outlook for the External Environment at the Beginning of the Fiscal Year and Intentions for the Annual Plan

- Overall market conditions are expected to recover compared to FY2020/1, although COVID-19 effects are expected to continue to arise in some areas, among them corporate IT-related investment.
- In semiconductors & devices, although we expect a decrease in orders for TVs, which had been strong in the previous fiscal year, a slight YoY increase is forecasted for the fiscal year due to the normalization of production activities and contributions from new orders.
- The impact of semiconductor supply shortages is not factored into the initial plan.
- In ICT-related businesses, we will capture demand related to the Online Eligibility Verification system using IC chips for the Individual Number Cards which will start this fiscal year. In addition, the business environment is expected to gradually improve toward the end of the fiscal year.



**For the full-year plan for FY2022/1, Ryoyo aims to recover to ¥100 billion net sales and 2.0% operating margin levels.**

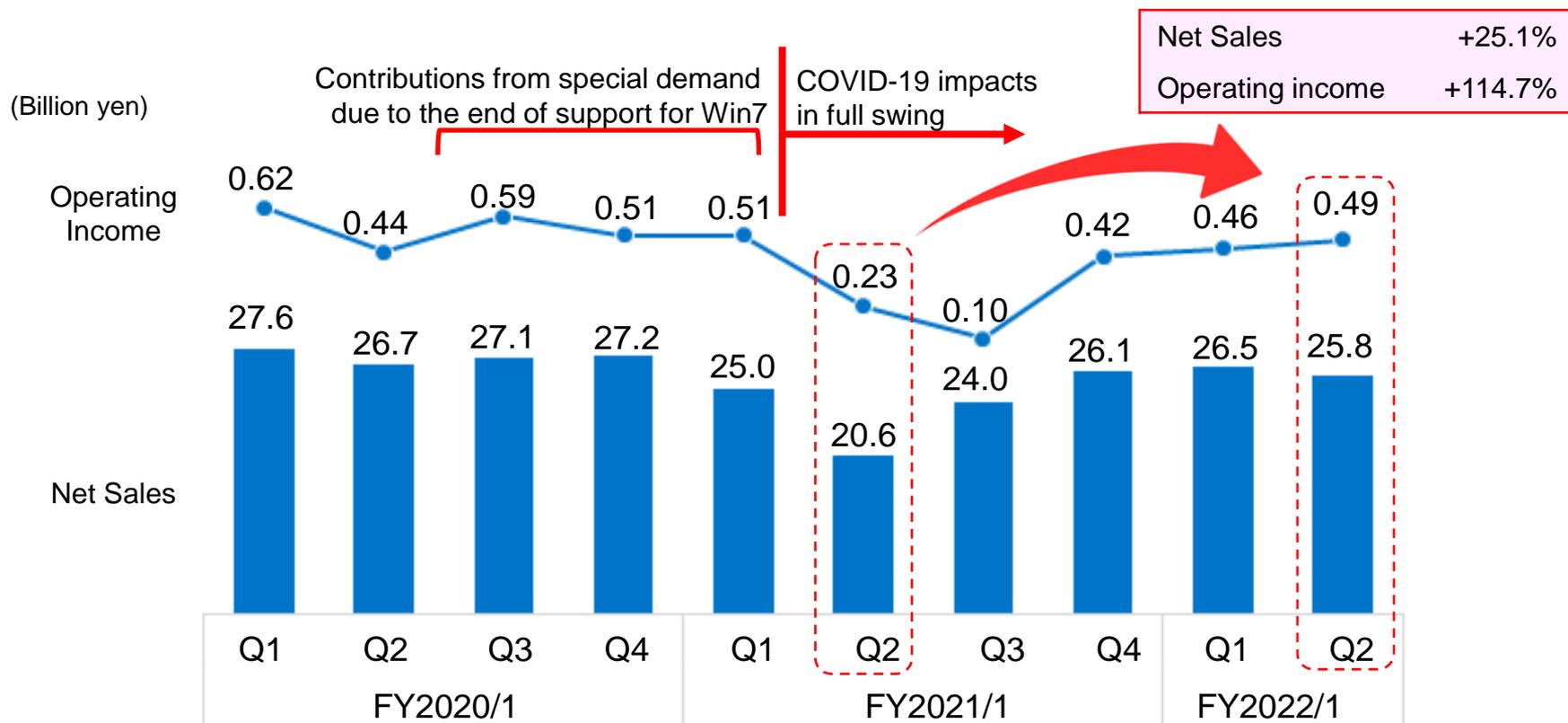
**Overview of the First Half of the  
Fiscal Year Ending January 31, 2022**

- Both sales and profits grew, partly due to recovery from COVID-19 impacts in the previous fiscal year.
- In Q2, both sales and profits usually decrease compared to Q1 due to the seasonality of ICT-related business, but Ryoyo secured profit increases in Q2 of this fiscal year. (Operating income reached ¥0.49 billion in Q2 for the first time in 14 years, since FY2007/1)

(Billion yen)	FY2021/1 H1	FY2022/1			YoY Change	
		Q1	Q2	H1		%
Net sales	45.6	26.5	25.8	52.3	+6.6	+14.5%
Semiconductors & devices	21.4	13.5	14.9	28.4	+7.0	+32.6%
ICT & solutions	24.2	13.0	10.9	23.9	-0.3	-1.4%
Gross profit	4.66	2.47	2.51	4.98	+0.32	+6.9%
(%)	10.2%	9.3%	9.7%	9.5%		
Selling, general and administrative expenses	3.92	2.02	2.02	4.03	+0.11	+2.9%
Operating income	0.74	0.46	0.49	0.95	+0.21	+28.2%
(%)	1.6%	1.7%	1.9%	1.8%		
Ordinary income	0.84	0.54	0.59	1.13	+0.29	+34.0%
(%)	1.8%	2.0%	2.3%	2.2%		
Profit attributable to owners of parent	0.58	0.42	0.41	0.83	+0.25	+43.0%
(%)	1.3%	1.6%	1.6%	1.6%		

FY2021/1: Fiscal year ended January 2021    FY2022/1: Fiscal year ending January 2022

- Sales in Q2 of this fiscal year decreased compared to Q1, but increased significantly over the same period last year. Operating income increased for the third consecutive quarter.
- In particular, operating income more than doubled YoY, and is approaching ¥0.5 billion for the first time since the period from Q3 of FY2020/1 to Q1 FY2021/1, which benefited from Win7 special demand.



FY2020/1: Fiscal year ended January 2020  
 FY2022/1: Fiscal year ending January 2022

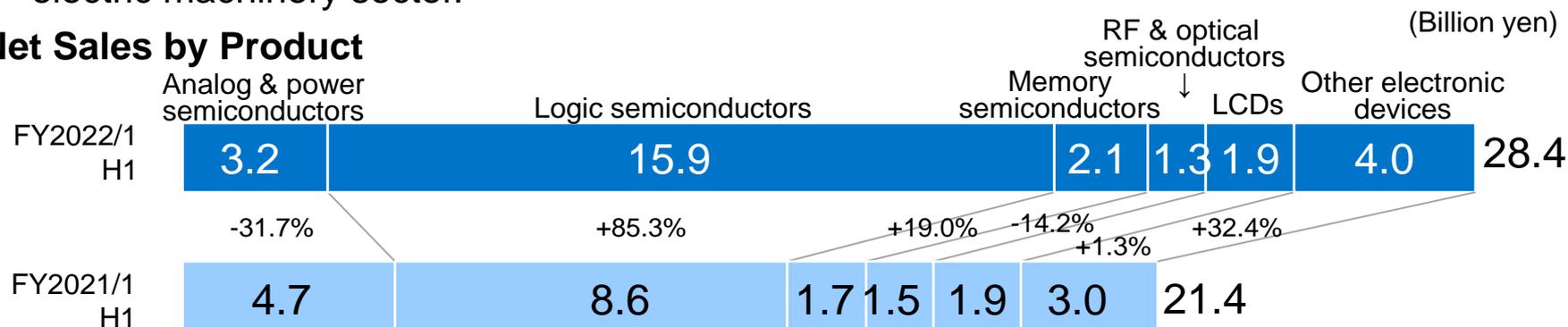
FY2021/1: Fiscal year ended January 2021

# Semiconductors & devices

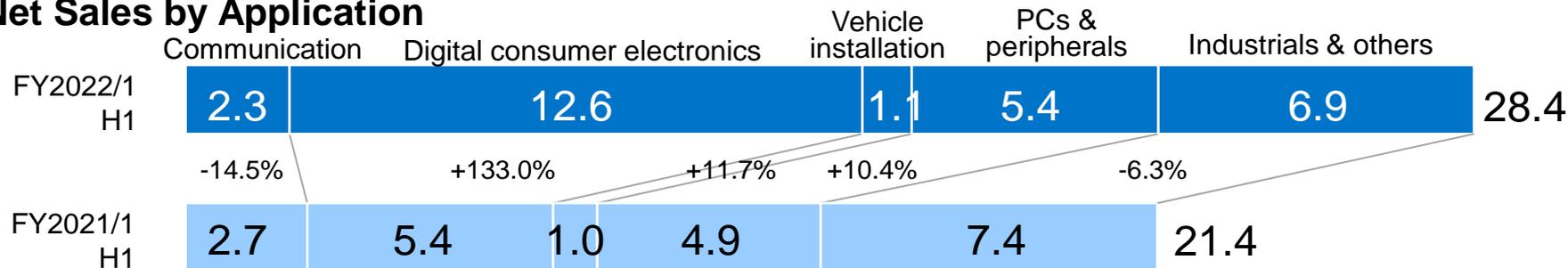
## H1 net sales: ¥28.4 billion (+32.6% YoY)

- Although some customers are making production adjustments due to semiconductor supply shortages, the current situation is supported by robust demand with no significant negative impact.
- Logic semiconductors for TVs, which were expected to decline after peaking in Q3 of the previous fiscal year, grew due to an increase in the number of customers. A recovery in sales for PCs also led net sales to increase significantly YoY.
- Analog and power semiconductor sales were weak due to a lull in demand from the heavy electric machinery sector.

### Net Sales by Product



### Net Sales by Application



FY2022/1: Fiscal year ending January 2022

FY2021/1: Fiscal year ended January 2021

Amid the widespread impact of semiconductor supply shortages, demand is growing for Rochester Electronics, which supplies discontinued and current products as a sales agent and manufacturer under authorization from major semiconductor manufacturers.



**Ryoyo has addressed the needs arising from discontinued products of original semiconductor manufacturers and counterfeit chips by providing Rochester products. Client manufacturers can use Rochester products to replace products that are difficult to procure, thereby avoiding production line-down situations.**



Authorized distribution

Authorized by over 70 semiconductor manufacturers to provide 15 billion end-of-life (EOL) and active semiconductor devices encompassing more than 200,000-part numbers.



Replication

**Build-to-order products**  
Manufactures devices using information transferred directly from the original component manufacturer (OCM).  
**Design and product replication**  
Provides end products that are form, fit, and functional replacement guaranteed to the original semiconductor manufacturer's datasheet.



Manufacturing services

Provides a variety of manufacturing services, including design, wafer processing, testing, reliability, and IP archiving.

Note: Ryoyo has been awarded the Rochester Partner of the Year award for three consecutive years (FY2018-2020).

- Although software, which had remaining special demand for Win7 in Q1 of the previous fiscal year, decreased, sales of all other items increased from the previous fiscal year.
- However, impacts from semiconductor supply shortages were felt in the procurement of finished ICT equipment, and the supply-demand situation was particularly tight for some products, including servers and displays.
- In I/O equipment, sales of medium and large displays (public displays) expanded, despite the impact of the aforementioned factors, due in part to the contribution of large-scale deals.
- Stylez Corp, which joined the Group in Q2 of the previous fiscal year, made contributions starting Q1 of the current fiscal year.

### Net Sales by Product

(Billion yen)

	PC/Server/Network	I/O equipment	Software	Embedded devices & others	
FY2022/1 H1	5.0	3.5	8.6	6.7	23.9
	+2.2%	+27.9%	-21.9%	+22.2%	
FY2021/1 H1	4.9	2.8	11.1	5.5	24.2

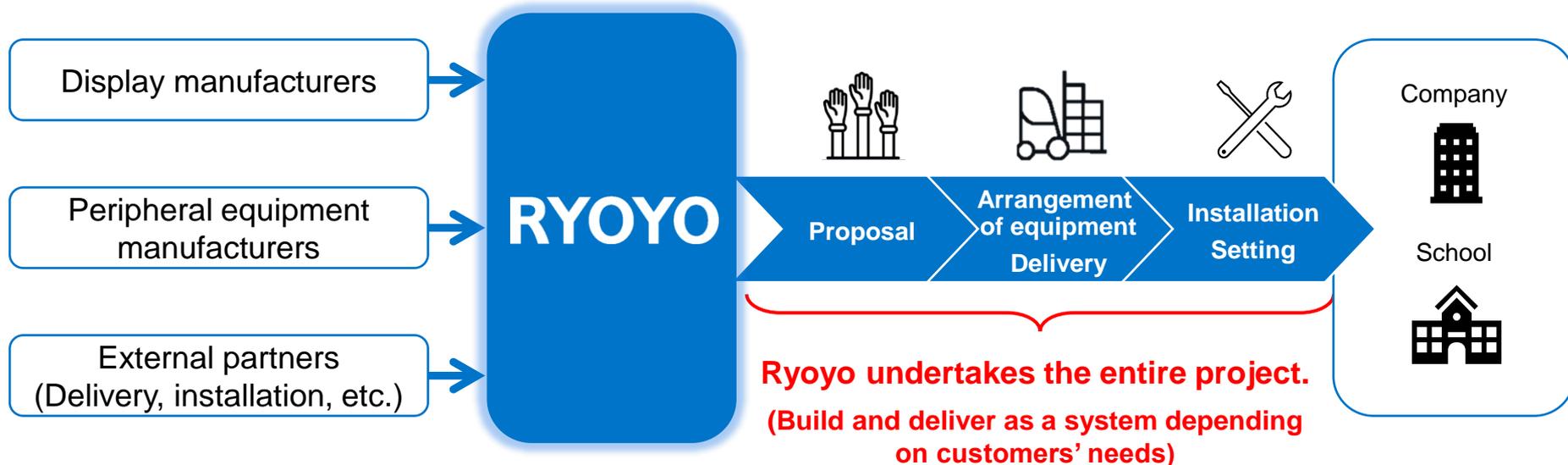
FY2022/1: Fiscal year ending January 2022 FY2021/1: Fiscal year ended January 2021

- The impact of semiconductor supply shortages can also be seen in the procurement of display products.
- However, inquiries for display products are brisk against the backdrop of the proliferation of online systems and digitalization. (Especially large displays)



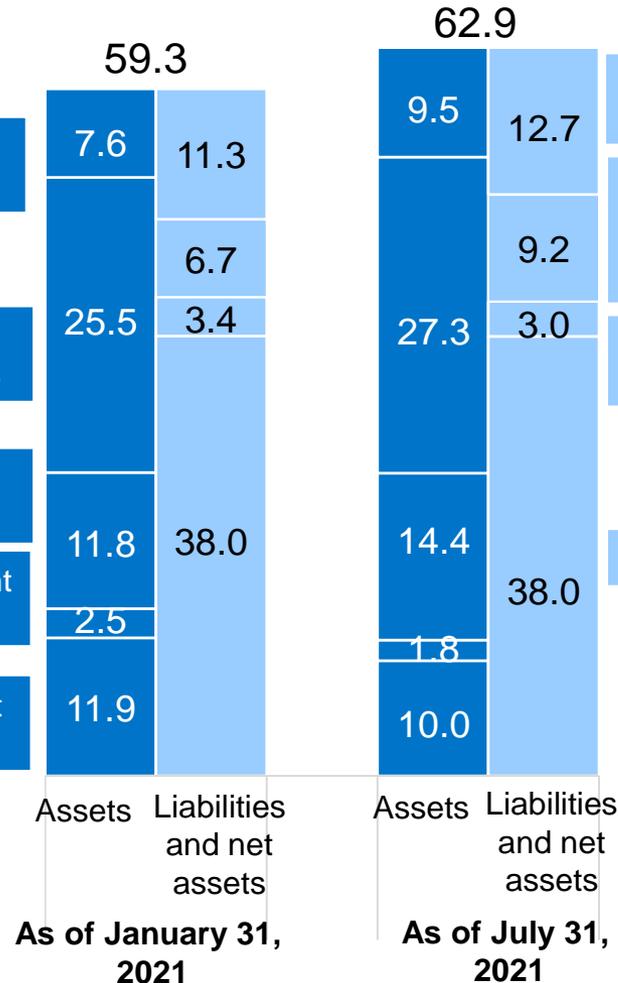
Demand for large displays is increasing for web conferencing and other applications.

- In addition to supplying display products, we have recently received several orders for large-scale projects by offering total solutions from arrangement of equipment to delivery and installation.



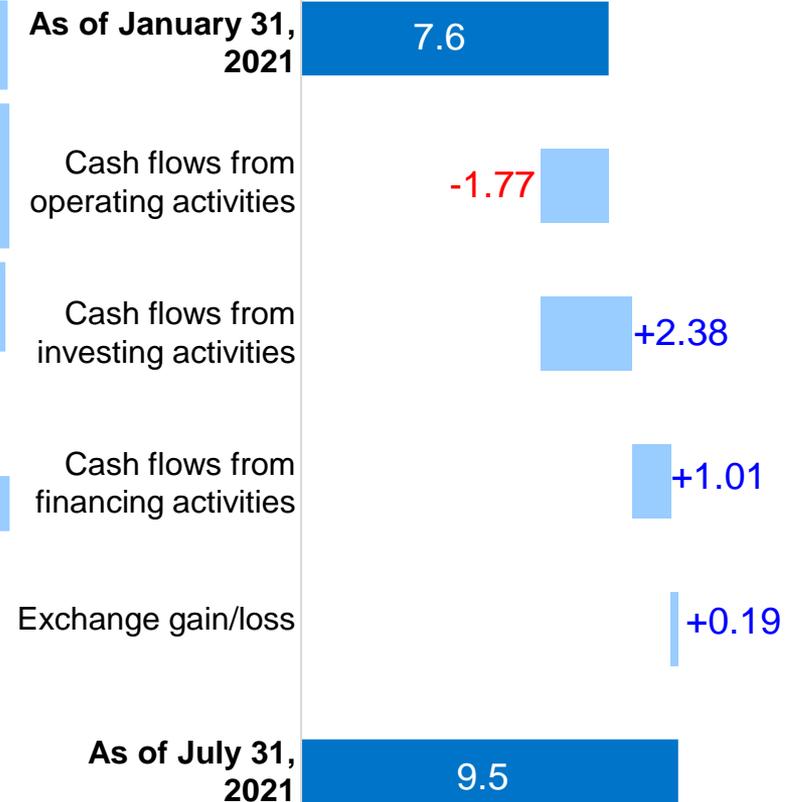
### Balance Sheets

(Billion yen)



### Cash Flows

(Billion yen)



**Business Plan for the Fiscal Year  
Ending January 31, 2022**

# Profit and loss

## No change from initial plans

- No change from initial plans at this time, taking into account the uncertain outlook for the market environment, including COVID-19 impacts and semiconductor supply shortage trends. (Ryoyo aims for a recovery to ¥100 billion net sales and 2.0% operating margin levels.)
- The net sales target breakdown has been revised based on conditions in the first half.

(Billion yen)	FY2021/1 Result	FY2022/1 Target	YoY Change	
				%
Net sales	95.8	100.0	+4.2	+4.4%
Semiconductors & devices	49.9	52.5	+2.6	+5.3%
ICT & solutions	45.9	47.5	+1.6	+3.4%
Gross profit	9.19	10.10	+0.91	+9.9%
(%)	9.6%	10.1%		
Selling, general and administrative expenses	7.93	8.10	+0.17	+2.2%
Operating income	1.27	2.00	+0.73	+57.9%
(%)	1.3%	2.0%		
Ordinary income	0.91	1.95	+1.04	+115.4%
(%)	0.9%	2.0%		
Profit attributable to owners of parent	0.81	1.35	+0.54	+67.5%
(%)	0.8%	1.4%		

FY2021/1: Fiscal year ended January 2021 FY2022/1: Fiscal year ending January 2022

(Should Ryoyo determine going forward that it is necessary to revise the performance forecast, it will promptly be so announced.)

### ➤ Status and outlook at the beginning of the fiscal year

- Although there was a sense that supply was tightening in all sectors and products, there were no specific cases where customers' manufacturing operations were affected.
  - Concerns are expected to continue at least from summer to autumn.
- ➔ **Since future trends and degree of impact were unclear, they were not taken into account in the initial plan.**



### ➤ Current situation and future expectations

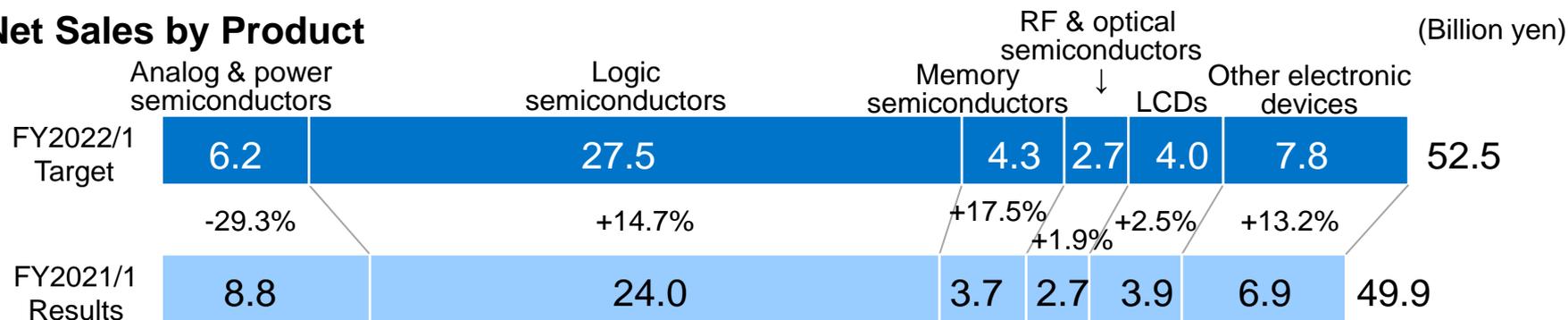
- The sense of tight supply has been increasing, and some customers are making production adjustments; meanwhile, robust demand is supporting semiconductor business.
  - The initial forecast has been pushed back, and impacts are expected in the next fiscal year and beyond.
- ➔ **Although stable performance is expected for the time being, there is a possibility that actual demand for some products has been brought forward due to the prolonged impacts, and the outlook remains uncertain.**

# Semiconductors & devices

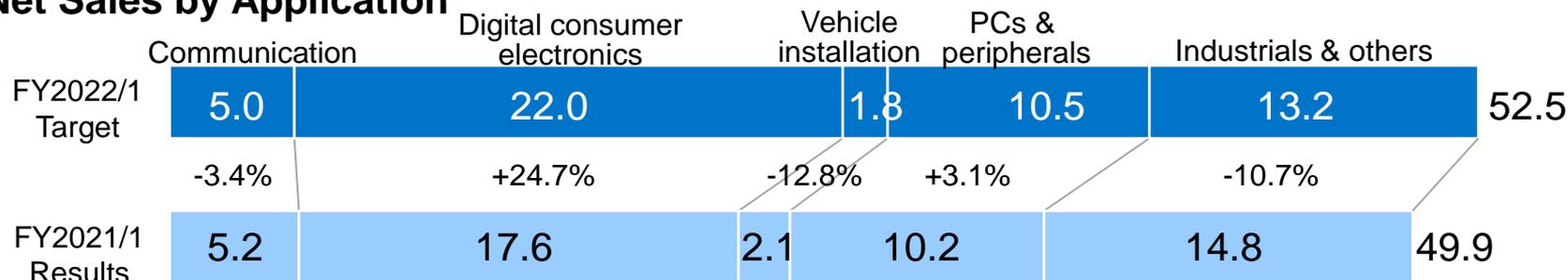
## Annual net sales target: ¥52.5 billion (+5.3% YoY)

- Semiconductor supply shortages are causing a general tightness in all sectors and products; although concerns are forecasted to continue for the time being, net sales are expected to remain firm.
- Business for TVs, which experienced large-scale growth in the previous fiscal year, is expected to remain at a high level with the acquisition of new customers in the first half.
- Contributions are expected from new products, including products for smartphones and GIGA School Concept products.

### Net Sales by Product



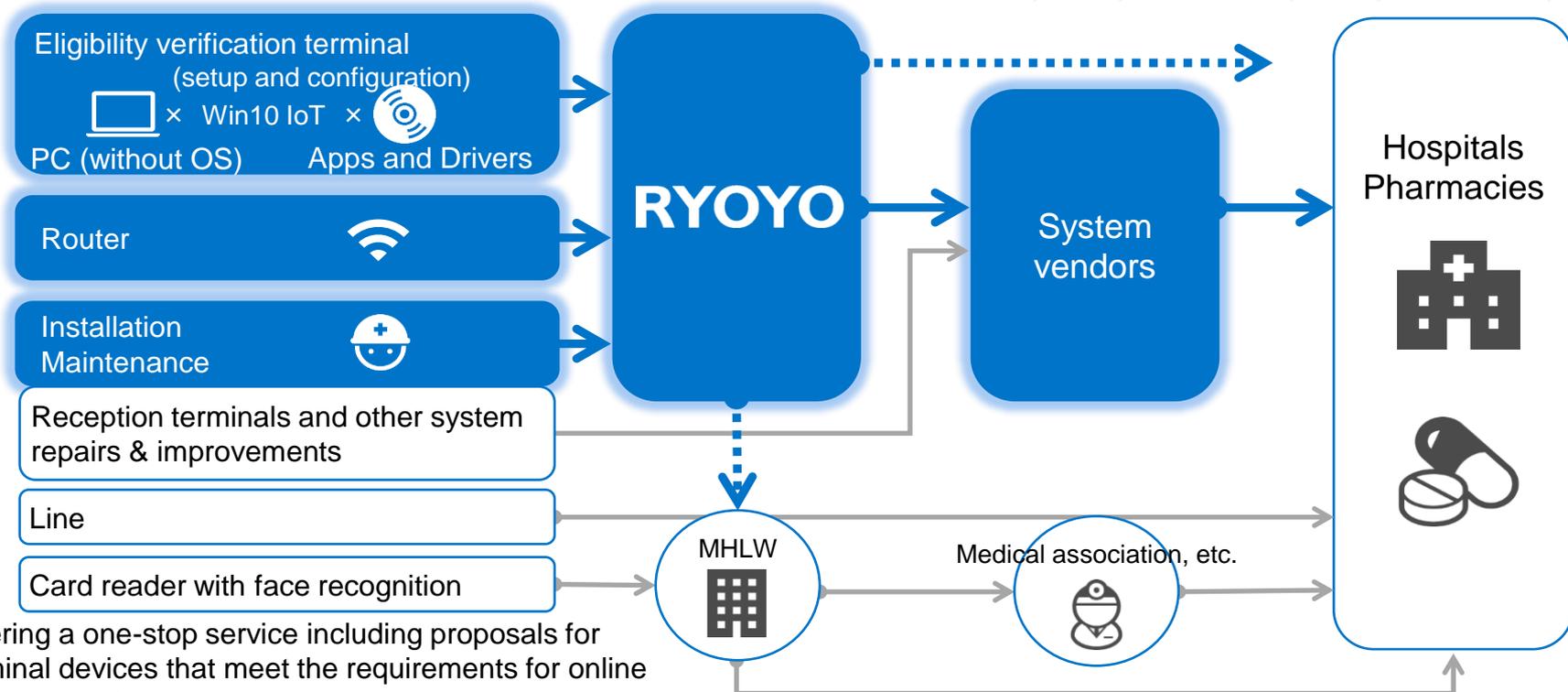
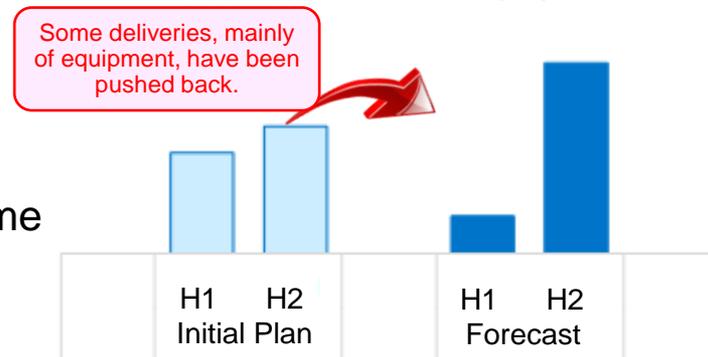
### Net Sales by Application



FY2022/1: Fiscal year ending January 2022 FY2021/1: Fiscal year ended January 2021

- Introduction of the online eligibility verification system, which was originally scheduled for this March, has been postponed to October.
- Impact on Ryoyo's business: While the field survey proceeded as planned in the first half, installation of some equipment was delayed to the second half. However, there was no change from the initial full-year forecast.

Online Eligibility Verification Business Plan for FY2021/1



Offering a one-stop service including proposals for terminal devices that meet the requirements for online eligibility verification as well as on-site installation and maintenance services.

- Corporate IT-related investment has been recovering since the second half of the previous fiscal year. However, the tight supply-demand situation due to semiconductor supply shortages will continue in the second half and beyond.
- The full-year forecast for business related to online eligibility verification remains unchanged, and this business is expected to expand, mainly for PCs, in the second half and beyond.
- Net sales target for software was lowered from the initial target due to a slower-than-expected recovery from the diminished reaction to Win7 special demand.

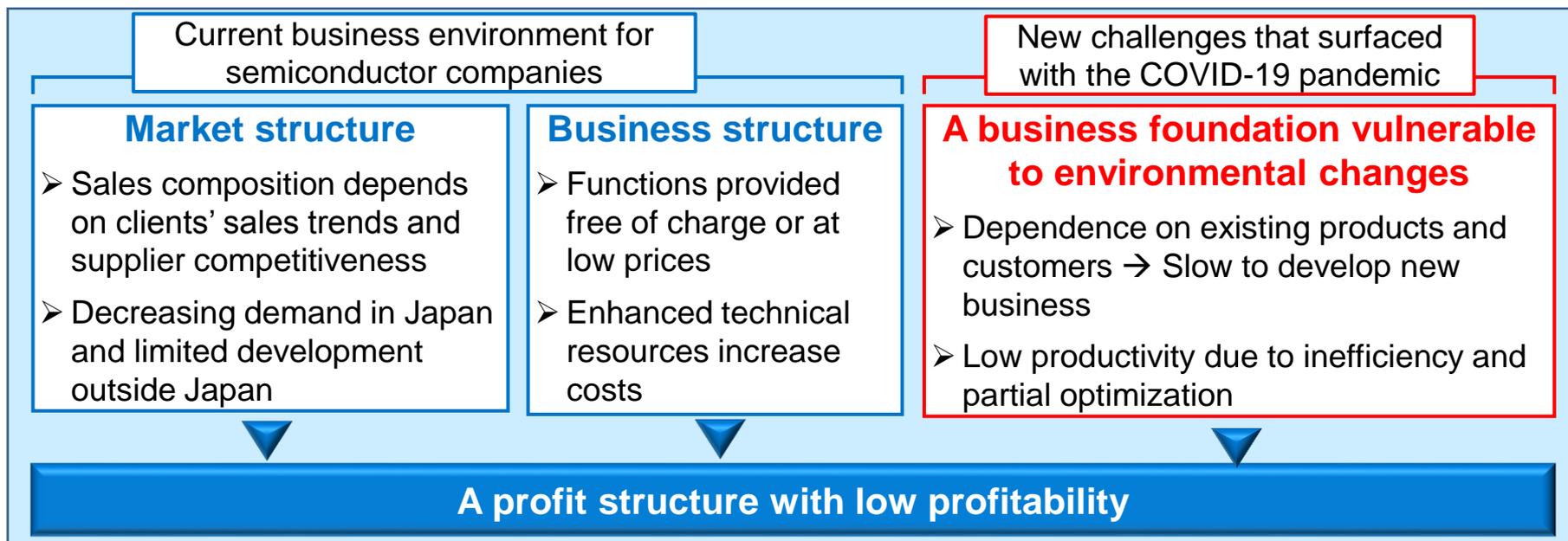
### Net Sales by Product

(Billion yen)

	PC/server/network	I/O equipment	Software	Embedded devices & others	
FY2022/1 Target	12.7	6.1	16.8	11.9	47.5
	+31.9%	+3.5%	-12.7%	+6.5%	
FY2021/1 Results	9.6	5.9	19.2	11.2	45.9

FY2022/1: Fiscal year ending January 2022    FY2021/1: Fiscal year ended January 2021

## Medium-Term Initiatives



## Priority measures for fiscal year ending January 2022

Promoting and expanding existing businesses

Bringing new business models to fruition

Cultivating new business drivers

Strengthening the infrastructure that supports the business foundation

**Building a business foundation that is resilient to changes in the business environment**

## Promoting and expanding existing businesses

- Consolidate and share customer information as the basis for restructuring trading functions
- Improve customer satisfaction by reviewing support system for regional customers
- Further expand customers outside Japan and launch businesses using new products

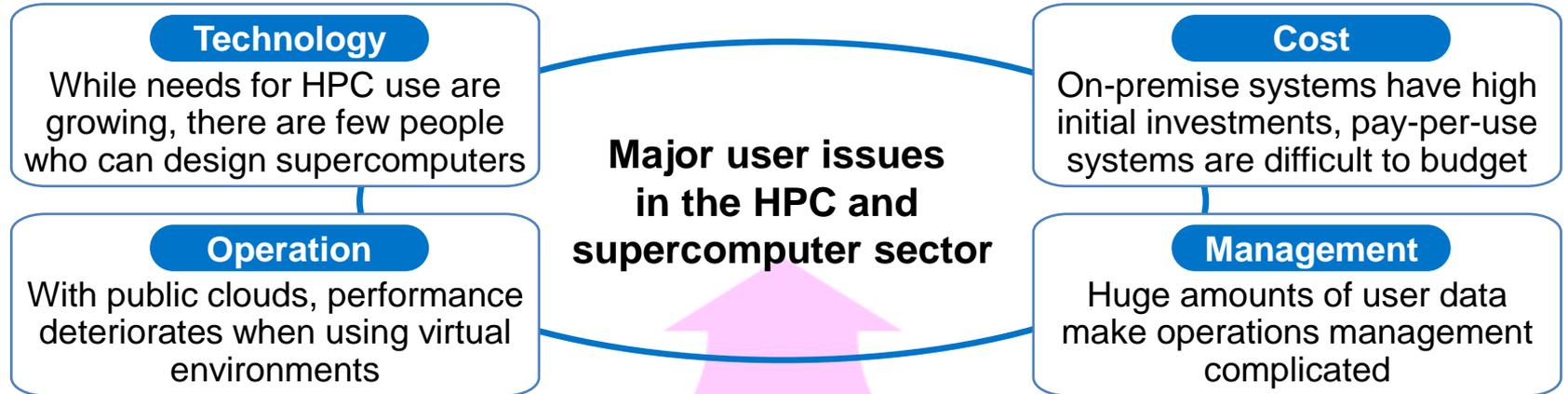
## Bringing new business models to fruition

- Reach out further upstream  
→ Proposing solutions to customers issues and needs as quickly as possible
- Accelerate scaling through horizontal deployment of success stories of "Only Ryoyo" solutions

## Cultivating new business drivers

- Accelerate collaboration with Stylez Corp. with an eye to the launch of IoT platform business
- Consider service-focused business
- Accelerate collaborations with external partners, including investment partners

Ryoyo promotes business in the HPC and supercomputer sector with one-stop shopping functions, by partnering with XTREME-D Inc. which provides services and consulting related to high-performance computing (HPC) and cloud computing.



**Build and provide infrastructure and services that match customers' uses and operational structures**



- A wide range of hardware procurement capabilities from semiconductors to ICT equipment
- Existing business relationships with customers in the manufacturing industry and other areas where AI use is growing



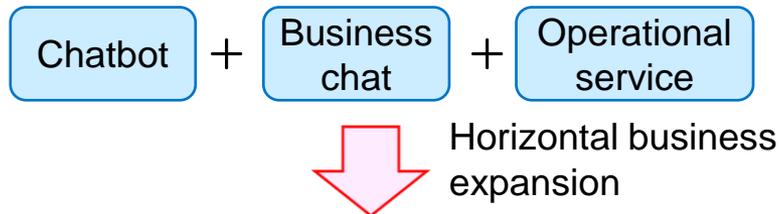
- User interfaces that provide support from on-premise to cloud environments
- A group of professionals with advanced consulting capabilities

Collaboration with XTREME-D Inc. has already led to incoming project orders, some of which are in progress. Ryoyo plans to further expand the collaboration.

- After Stylez Corp. joined the Group in May 2020, Ryoyo made plans to collaborate in cloud construction, maintenance and monitoring operations, virtual machine operations, contract development, and other projects to create synergies among existing businesses.
  - As one of these projects, Ryoyo received an order from ANA to provide services for a taxi cab dispatch system, which has been developed jointly with Stylez Corp.
- **Such projects were previously outsourced to an external partner, but are now handled within the Group.**

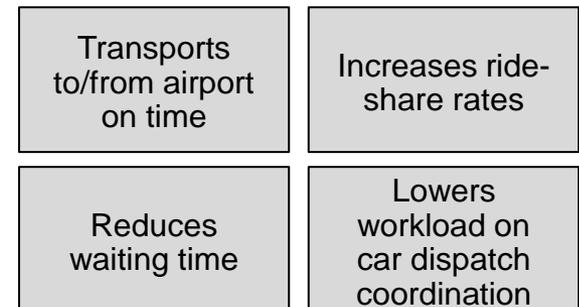
## The Project for ANA

- In 2019, Ryoyo delivered a communication tool to ANA for airport ground staff.



- Ryoyo developed a taxi dispatch system that utilizes its services to improve the efficiency of airport staff in getting to and from work.

**Solves key issues related to early morning and nighttime transportation of airport staff**



**Helps to improve airport staff satisfaction and reduce airport operating costs**

# Using wireless communication technology for remote management of COVID-19 vaccines

In line with its core business — 5G, low-power wide-area (LPWA), and other wireless communications — Ryoyo has provided Hanawa Town, Fukushima Prefecture with a remote management system for refrigerator storage of COVID-19 vaccines.

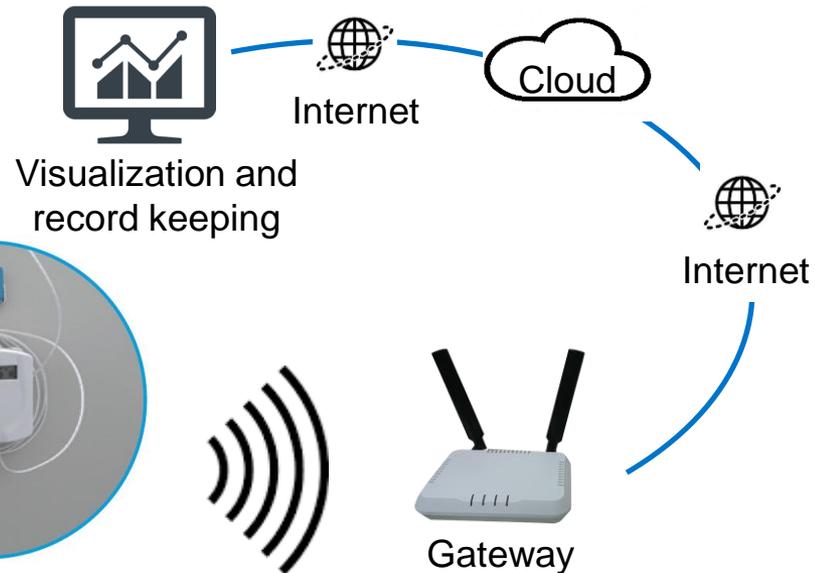
Users can check temperature inside the refrigerator using smartphones or tablets without opening or closing the door



Photos provided by Hanawa Town, Fukushima Prefecture



Temperature Sensor



**Prevents loss of vaccines due to temperature control errors during transportation and storage, supporting municipalities and medical institutions**

Note: A related article ran in the morning edition of the *Nihon Keizai Shimbun* on June 4, 2021.

➤ Overview of the issuance of stock options

		Fourth Round of Stock Options
Issuance method		Third-party allotment to Daiwa Securities Co. Ltd.
Overview	Option period	June 29, 2021 - June 29, 2023
	Estimated amount to be raised	¥6,730 million (approx. net proceeds)
	Number of stock options	28,000 units
	Number of shares to be issued	2,800,000 shares (10.4% of outstanding shares)*

Number of shares issued is calculated based on the total number of shares issued as of January 31, 2021, which is 26,800,000.

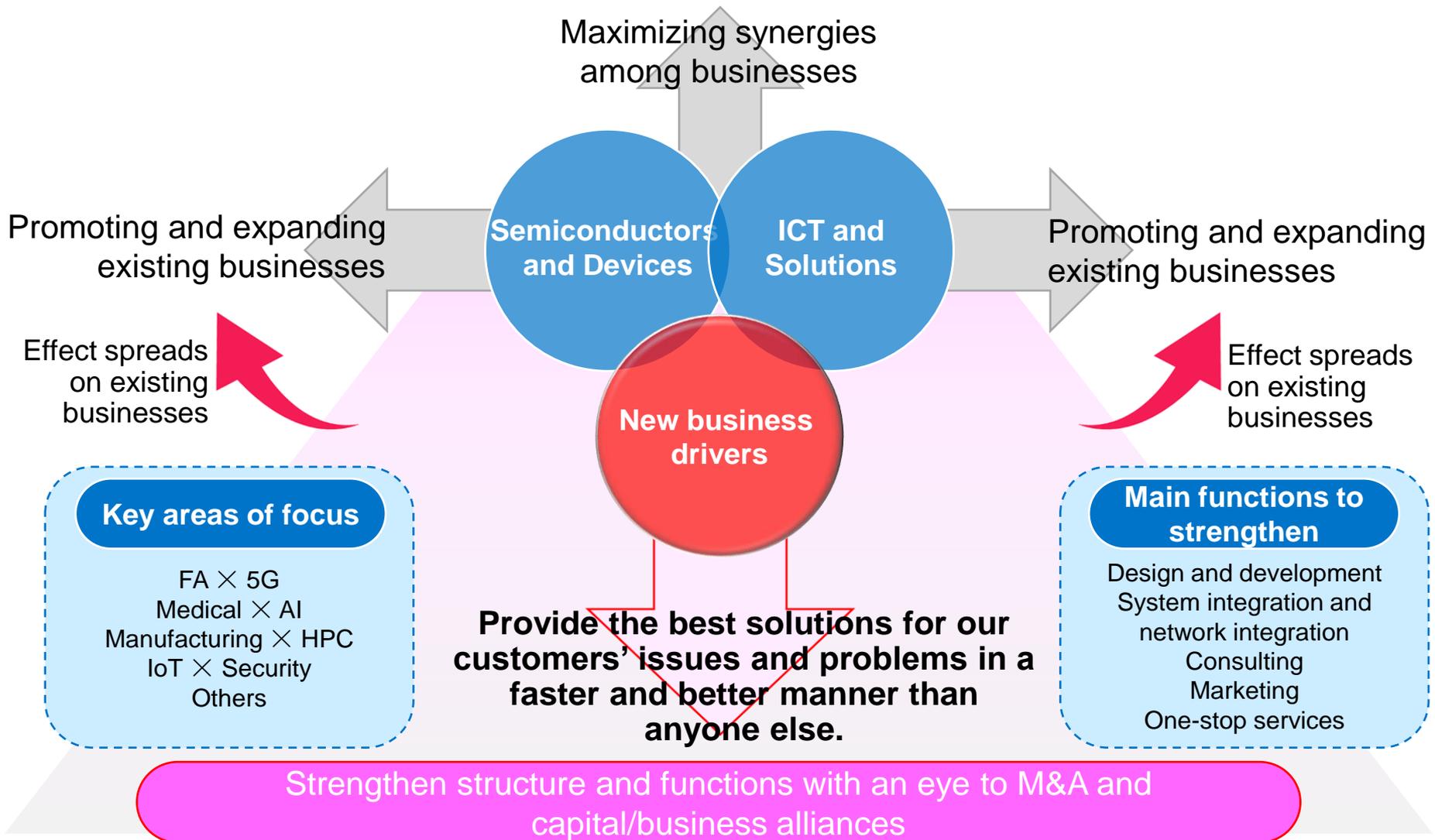
➤ Uses of funds procured

1. For implementing M&A and capital/business alliances

→ To strengthen systems and functions to expand solution business that helps to solve our customers' issues and problems

2. For partial repayment of debt

→ To strengthen financial base in order to create capacity for growth investment for future business expansion



A new trading company which is the best in customer satisfaction

- The best in making added-value proposals with unique strengths in ICT and IoT/AI
- Collaboration with partners who share our vision, values, and strategy
- High profitability that is unprecedented in the electronics industry

## Preparatory Stage – Reform Phase 1

- Launch Management Reform Project
- Face reality and identify root issues  
→ Reform organization/HR systems, enhance governance structure

FY2022/1

Next three-year  
business plan

FY2025/1

## Reform Phase 2

- Become a company that can deliver self-sustained growth
- Strengthen structure and functions to expand solutions business
- Build a business foundation that is resilient to changes in the business environment and strengthen the infrastructure that supports it

FY2018/1

FY2020/1

# Dividend and TSE Market Realignment

# No change in dividend plans; Prime Market selected under market reclassification

- Dividend plan for the fiscal year ending January 2022 (No change from initial plans)

Based on implementation of Ryoyo's dividend policy of 5.0% DOE, the Company plans to pay an annual dividend of 120 yen per share (60 yen per share at the end of Q2 and at the end of the fiscal year).

		Dividend per Share (Yen)			Payout Ratio	DOE
		Interim	Year-End	Full Year		
FY2022/1	Forecast	–	60	120	157.4%	5.5%
	Result	60	–	–	–	–
FY2021/1	Result	60 (Ordinary dividend: 60)	120 (Ordinary dividend: 60) (Commemorative dividend: 60)	180 (Ordinary dividend: 120) (Commemorative dividend: 60)	511.5%	7.6%

FY2022/1: Fiscal year ending January 2022 FY2021/1: Fiscal year ended January 2021

- Response to TSE Market Reclassification

According to the letter received from TSE on July 9, 2021, Ryoyo confirmed that it meets the criteria for listing on the Prime Market, and resolved to select “Prime Market” at the July 27th Board of Directors meeting.

## Overview of the first half

- Both sales and profits grew, partly due to recovery from COVID-19 impacts.
- Operating income increased for the third consecutive quarter, more than doubling compared to the same period the previous year.

## Annual forecast

- No change from initial plans at this time, taking into account the uncertain outlook for the market environment.
- Aiming for a recovery to ¥100 billion net sales and 2.0% operating margin levels.

## Medium-term initiatives

- Promote business that helps to solve our customers' issues and problems.
- Next three-year business plan: Become a new trading company which is the best in customer satisfaction.

## Dividend plan

- Scheduled dividend for the current fiscal year remains as initially planned; annual dividend: ¥120 per share.

### Note

The business results and forecasts for the future contained in this presentation are based on certain assumptions deemed reasonable at the time of release. Actual results may differ from the original forecasts due to economic conditions and various other factors.

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